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SUBJECT: ICELAND ELECTIONS: GOVERNMENT CLINGS TO MAJORITY, BUT  
COALITION TALKS ON AWKWARD FOOTING

Refs: A) Evans-State Ops Phone calls 5/13 and 5/14

B) Reykjavik 139 and previous

¶1. (U) Summary: Iceland's governing coalition hung on to a one-seat parliamentary majority in national elections on May 12. However, the junior partner in the coalition is sufficiently weakened -- with its chairman and another sitting minister failing to get elected -- that the coalition's survival is by no means a sure thing. While talks continue, Prime Minister Haarde's Independence Party is putting out feelers to other possible partners. End Summary.

¶2. (U) The final results from Iceland's nationwide Althingi (parliament) elections on May 12 are as follows:

Party	Percent of votes	Seats (change)
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Independence (IP):	36.6	25 (+3)
Social Dem. Alliance (SDA):	26.8	18 (-2)
Left-Green (LG):	14.3	9 (+4)
Progressive (PP):	11.7	7 (-5)
Liberal (LP):	7.3	4 (0)
Iceland Movement (IM):	3.3	0

Thirty-two seats are required to hold a majority in the 63-seat Althingi. The new Iceland Movement failed to win a seat as it did not cross the five percent threshold. Turnout was 83.6 percent, down from 87 percent in the last Althingi elections in 2003.

¶3. (U) With these results, the governing Independence-Progressive coalition holds a one-seat majority in the Althingi despite coming out with less than 50 percent of the national vote. The IP made significant gains and added three seats to its tally, helping to offset the Progressives' losses. The results were extremely tight throughout the night of May 12-13, with initial reports indicating that the government had lost its majority only to have that trend reversed as the night wore on. (Indeed, daily newspaper Frettabladid wound up with a "Dewey Defeats Truman" moment as its first printing ran with the headline of "Government Falls After Progressives' Collapse.") The fate of individual members of parliament was also very much in question, as it only became clear when the final vote tally was announced mid-morning on May 13 that Progressive Chairman and Minister of Industry Jon Sigurdsson had not been elected to a seat in the Althingi. Two other Progressive ministers were also in jeopardy, with the Minister of Environment failing to retain her seat and the Minister of Health squeaking in at the last minute.

¶4. (SBU) Prime Minister Geir Haarde (IP) was initially optimistic about continuing the coalition, stating that he "saw no need for immediate changes" to IP-PP cooperation. As May 13 wore on, however, it became evident that the Progressives were unsure about continuing as the ever-more-junior partner in the government. Sigurdsson was noncommittal in a television appearance with other party leaders on the evening of May 13, only allowing that

"discussions are taking place" with the IP and that the two parties will keep talking. In the meantime, IP doubts have apparently grown about the reliability of the Progressives as part of a one-seat majority -- an IP insider noted to PolOff that one newly-elected PP Althingi member had "said things that [PP Chair Sigurdsson] should have told us himself in private" on a post-election talk show, raising questions about the stability of a continued IP-PP partnership.

15. (SBU) While failing to defeat the governing coalition directly, the left-leaning SDA and Left-Green parties are simultaneously courting the Progressives (in the hopes of a three-member center-left coalition) and the Independence Party. The odds of a center-left government look slim given that the SDA and LG both made industrial/environmental policy their centerpiece issues, attacking the Progressives directly. Both leftist parties seem to believe that their chances of getting into power lie more with the Independence Party, and their party leaders have been careful to keep all options open in their public statements. That said, leading newspaper Morgunbladid (traditionally close to the IP) reported on May 14 that SDA leader Ingibjorg Solrun Gisladdottir had shown a fair degree of arrogance in her contacts with the IP thus far, which if true would do little to soften the personal aversion that many in the IP have towards her.

16. (SBU) Comment: By virtue of its strong performance in the elections and the public's overwhelming confidence in PM Haarde, Independence is largely in the driver's seat. The challenge for Haarde will lie in finding a coalition partner that will not overly disrupt the IP's agenda while at the same time giving the coalition the strength it needs to survive. With an already-weakened Progressive Party doing little to strengthen IP confidence in the idea of a one-seat majority, prospects for an IP pairing with the Social Democrats or Left-Greens are on the rise.

VAN VOORST